



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5b

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Memorandum

TO: Legislation Committee

DATE: March 7, 2014

FR: Executive Director

W. I. 1131

RE: Obama Administration's FY 2015 Budget Request and MAP 21 Reauthorization Proposal

Background

On February 26, 2014, the Obama Administration released the outline of a four-year \$302 billion transportation reauthorization proposal that would significantly increase highway and transit funding, followed by a March 4 release of the President's proposed FY 2014-15 budget, which included further details about the reauthorization proposal. Relative to FY 2014, the budget would boost surface transportation funding in FY 2015 by \$18.6 billion, from \$55 billion to \$73.6 billion — a 34 percent jump.

Notably, the Administration does not provide a long-term solution to the imbalance between dedicated revenue and expenditures in the Highway Trust Fund, relying instead on \$150 billion in new "one-time transition revenue" resulting from the elimination of business and corporate tax loopholes over the four-year period. Such an approach, while not ideal from a policy perspective, is certainly likely to attract more Republican support than a gas tax increase, and Republican votes will ultimately be needed to prevent major cuts to transportation spending next fiscal year.

Discussion

Staff is encouraged that the reauthorization proposal recognizes the need for a significant increase in federal transportation funding and would achieve a number of MTC's reauthorization goals. Listed below are highlights of the Obama Administration's reauthorization proposal and the proposed FY 2015 budget.

Highway Trust Fund Fix Is Short-Term but Accommodates Boost in Funding

As noted, the reauthorization proposal would transfer to the Highway Trust Fund \$150 billion in general Treasury funds freed up by changes to tax law. Of this amount, \$63 billion is required simply to maintain current funding levels, leaving \$87 billion as "net" new revenue for the program.

Average Annual Transit Funding Increased Almost 70 Percent

The FY 2015 budget recommends increased Federal Transit Administration (FTA) funding from \$10.7 billion in FY 2014 to \$17.5 billion in FY 2015, growing to \$18.7 billion by FY 2018. For the Bay Area, the FY 2015 proposed budget would increase dramatically from roughly \$400 million in FY 2014 to \$650 million in FY 2015, a 62% jump.

With respect to transit expansion/capital investment grants (commonly referred to as New Starts funding) the FY 2015 budget requests a \$500 million increase for a total \$2.5 billion program and recommends \$150 million for San Francisco's Central Subway project and \$150 million for BART to Berryessa, consistent with both projects' Full Funding Grant Agreements. AC Transit's East Bay bus rapid transit project would receive \$28 million in the proposed budget, consistent with its request and the last installment of federal funds needed for the project.

With respect to the transit reauthorization proposal, funding is recommended to increase by nearly 70 percent annually, for a total of \$72 billion over four years. The largest increase is in formula funding, which would grow from \$8.6 billion in FY 2014 to \$13.9 billion in FY 2018. The proposal would also boost transit expansion funding to \$2.5 billion per year and create a new "Rapid Growth Area" program starting at \$500 million per year and growing to \$600 million by FY 2018.

Annual Highway Funding Increased by 22 Percent

The reauthorization proposal recommends \$199 billion for the Federal Highway Administration over the four years. For FY 2015, the President requests \$49 billion, a \$7.6 billion increase over FY 2014. The largest share of this increase is proposed for a \$4.9 billion "Fix-it-First" initiative focusing on reconstruction, restoration, rehabilitation, preservation and safety improvements. However, not all highway programs would enjoy increased funding levels. For instance, the budget proposes \$2.3 billion for Congestion Mitigation and Air Quality (CMAQ), holding it flat at FY 2014 levels. With respect to the Surface Transportation Program, the budget requests \$10.3 billion, only a \$300 million increase over the current year. The Transportation Alternatives Program is recommended for continuation at slightly higher levels (\$836 million versus \$820 million in FY 2014). An additional \$7 billion is directed toward improving road and highway safety.

National Rail Funding Augmented

With respect to rail, the FY 2015 budget requests \$4.8 billion to support a new National High-Performance Rail System, the first year of a proposed \$19 billion four-year rail program that would fund current passenger rail service as well as new services improvements. For current passenger rail service, the budget requests \$1 billion for "fix-it-first" priorities.

New \$10 Billion Freight Program Proposed

Consistent with MTC's 2014 Advocacy Program and the recommendations of the Coalition for America's Gateways and Trade Corridors, of which MTC is a member, the reauthorization proposal establishes a \$10 billion multimodal Freight Program for rail, highway, and port projects, that would be developed in partnership with state and local officials and private sector and labor representatives. The President requests \$1 billion for this program in FY 2015.

Expansion of the Competitive TIGER Program

The reauthorization proposal includes funding for the popular and highly oversubscribed TIGER program (Transportation Investment Generating Economic Recovery), originally created as part of the American Recovery & Reinvestment Act of 2009 (commonly known as the "stimulus"). Under the reauthorization proposal TIGER would receive \$1.3 billion per year, more than double recent levels.

Establishment of New FAST Program

The reauthorization proposal includes \$1 billion per year for a new competitive program to encourage better performance, productivity and cost-effectiveness in the transportation system. The Fixing and Accelerating Surface Transportation (FAST) program would be split 50/50 between the Federal Highway Administration and the Federal Transit Administration. According to the budget summary document, "state and local partners will be evaluated on their willingness to commit to performance improvements in important areas such as safety or congestion management."

No Funding Increase Proposed for the Federal Aviation Administration

The budget recommends a slight reduction in funding for the Federal Aviation Administration from \$15.8 billion in FY 2014 to \$15.4 billion in FY 2015. The reduction is primarily attributable to a cut of \$450 million in airport improvement grants.

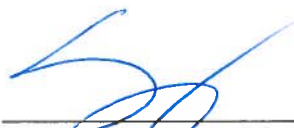
Workforce Development

The reauthorization proposal recommends spending \$400 million to "enhance the size, diversity, and skills of our nation's construction workforce, while providing support for local hiring efforts and encouraging states to use their On-the-Job training funds more effectively."

Policy Initiatives

Lastly, the summary documents of the reauthorization proposal indicate the Administration also intends to propose some interesting policy changes that staff will track as more details come available. These include efforts to do the following:

- Improve regional coordination and strengthen local decision making in allocating federal funding.
- Cut project timelines in half for major infrastructure projects by modernizing the federal government's infrastructure permitting and regulatory review process.
- Encourage more storm-resilient designs for highway, transit and rail infrastructure, and smarter transportation planning to reduce fuel use and conserve energy.
- Strengthen incentives to maintain safety and conditions of good repair.
- Expand research and technology activities to improve the productivity of transportation systems.



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